

TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: April 1, 2010

## Monthly General Fund Receipts through March 31, 2010

The attached spreadsheet presents FY 2010 General Fund total net receipts with comparable figures for actual FY 2009. The figures can be compared to the FY 2010 estimate of \$5.249 billion set by the Revenue Estimating Conference (REC) on December 11, 2009. The FY 2010 estimate is a decrease of \$500.7 million (- 8.7%) compared to actual FY 2009 total net receipts (numbers and calculations exclude transfer revenue). A date for the next REC meeting has not been set.

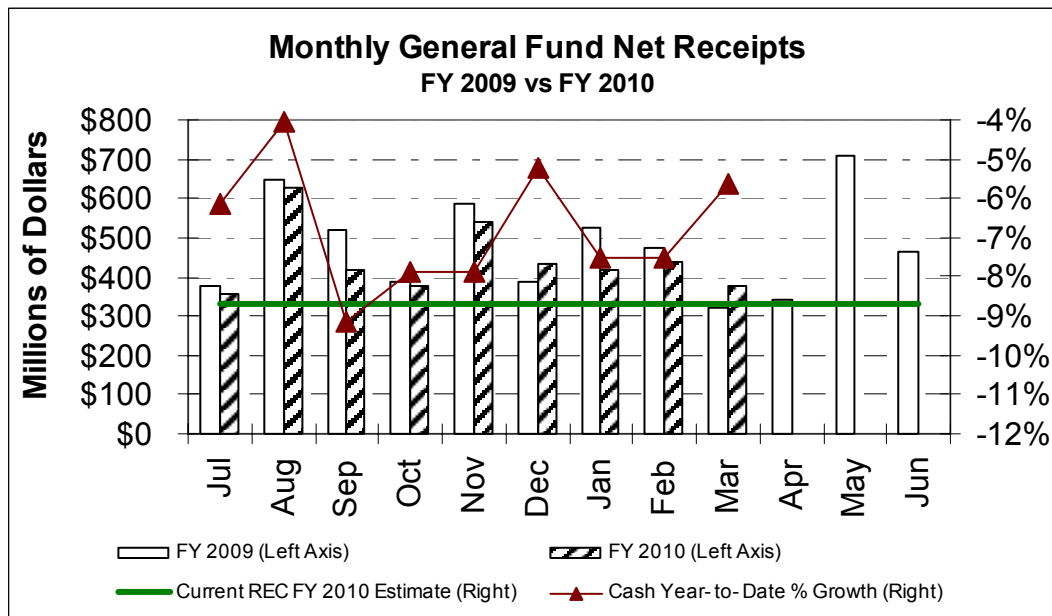
Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = - 8.71%						
Year-to- Date Ending:	Year-to- Date FY 2009	Year-to- Date FY 2010	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$1,929.0	\$1,777.6	-\$151.4	-7.8%	-\$168.0	\$16.6
Nov	2,516.6	2,318.6	-198.0	-7.9%	-219.2	21.2
Dec	2,902.1	2,751.1	-151.0	-5.2%	-252.8	101.8
Jan	3,425.0	3,168.1	-256.9	-7.5%	-298.3	41.4
Feb	3,900.0	3,607.6	-292.4	-7.5%	-339.7	47.3
Mar	4,223.2	3,985.2	-238.0	-5.6%	-367.8	129.8
Apr	4,566.3				-397.7	
May	5,272.7				-459.3	
Jun	5,738.9				-499.9	
Year end	5,749.0				-500.7	

## FY 2010 Compared to FY 2009

Year-to-date FY 2010 total net receipts (excluding transfers) decreased \$238.0 million (- 5.6%) compared to FY 2009. Major sources and their contribution to the FY 2010 change include:

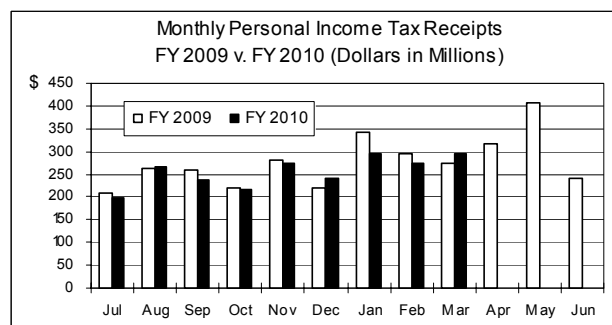
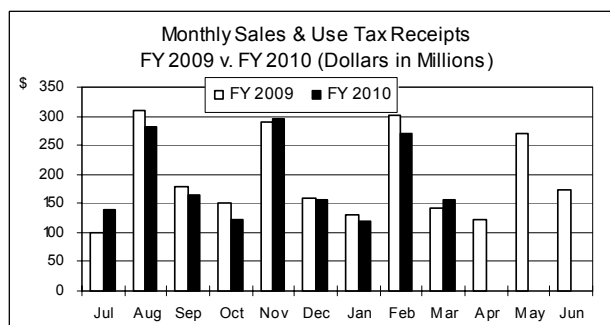
- Personal income tax (negative \$72.1 million, - 3.0%)
- Sales/use tax (negative \$49.5 million, - 2.8%)
- Corporate tax (negative \$27.9 million, - 10.1%)
- Other taxes (negative \$28.9 million, - 8.8%)
- Other receipts (negative \$23.0 million, - 7.7%)

- Tax refunds not including school infrastructure refunds (negative \$13.7 million)
- School infrastructure sales/use tax refunds (negative \$23.0 million)



**Personal Income Tax** revenues received in March totaled \$294.5 million, an increase of \$19.4 million (7.1%) compared to March 2009. A deposit timing issue at the end of February negatively impacted February receipts by approximately \$16.4 million and March receipts were positively impacted by the issue.

The REC estimate for FY 2010 income tax receipts of \$3.138 billion represents a projected change of negative 5.8% compared to actual FY 2009. Through March, total income tax receipts decreased 3.0%. By subcategory, withholding payments increased \$6.1 million (0.3%) year-to-date, estimate payments decreased by \$63.3 million (- 21.1%), and payments with returns decreased \$14.8 million (- 11.5%). The following chart compares FY 2010 monthly income tax receipts from the three personal income tax subcategories with FY 2009.



**Sales/Use Tax** receipts received in March totaled \$156.2 million, an increase of \$13.4 million (9.4%) compared to March 2009. A deposit timing issue negatively impacted February sales/use tax receipts by approximately \$17.2 million and March receipts were positively impacted by the issue.

The REC estimate for FY 2010 sales/use tax receipts is \$2.240 billion, a decrease of 3.8% compared to actual FY 2009. Through March, total gross sales/use tax receipts have decreased 2.8%. The preceding chart compares FY 2010 monthly sales/use tax receipts with FY 2009.

**Corporate Tax** receipts received in March totaled \$40.4 million, an increase of \$8.0 million (24.7%) compared to March 2009. A \$12.0 million settlement payment for back taxes provided a boost to March 2010 corporate tax revenue.

The REC estimate for FY 2010 corporate tax revenue is \$363.2 million, a decrease of 12.8% compared to actual FY 2009. Cash fiscal year-to-date total corporate tax revenue has decreased 10.1%.

**Other tax receipts** received in March totaled \$31.6 million, an increase of \$0.7 million (2.3%) compared to March 2009. Franchise, cigarette, and tobacco tax increased for the month.

The REC estimate for FY 2010 other tax revenue is \$424.6 million, a decrease of 6.7% compared to actual FY 2009. Through March, other tax revenue decreased 8.8%.

**Other receipts** (non-tax receipts) received in March totaled \$23.7 million, a decrease of \$6.3 million (21.0%) compared to March 2009. Interest, fees, and judicial revenue were all down significantly for the month.

The REC estimate for FY 2010 other receipts revenue is \$362.2 million, a decrease of 7.6% compared to actual FY 2009. Cash fiscal year-to-date total other receipts decreased 7.7% through February.

**Tax Refunds** issued in March totaled \$142.6 million, a decrease of \$15.3 million (- 9.7%) compared to March 2009. The REC estimate for FY 2010 regular tax refunds is \$901.0 million, an increase of 12.1% compared to FY 2009. Cash fiscal year-to-date regular tax refunds have increased 2.5%.

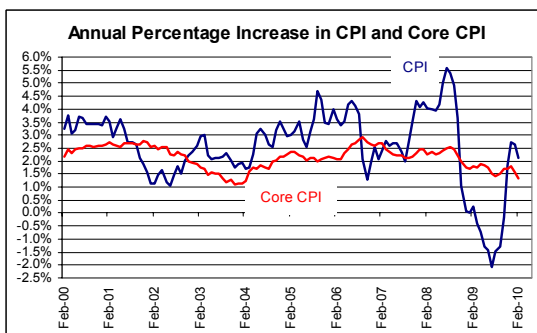
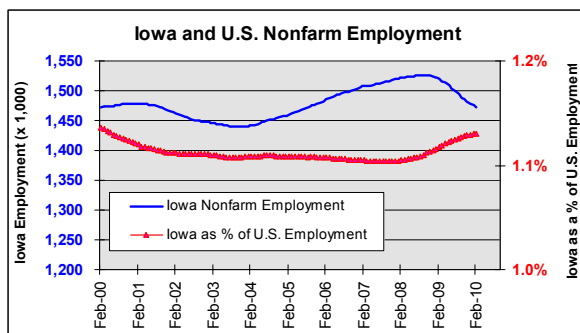
The speed of refund processing appears to be slower this fiscal year than last. Corporate tax refunds issued over the past two months were 61.6% below the same two months last year and were lower than any year since at least 2001. Slower processing of non-electronic filed tax returns may also be impacting the pace of personal income tax refund issuance.

In addition to regular tax refunds, school infrastructure refunds totaled \$26.1 million in March, a decrease of \$3.9 million (- 13.0%) compared to March 2009. For the cash fiscal year, school infrastructure refunds have increased 9.1%, mostly due to timing of the refunds.

## **Status of the Economy**

Iowa nonfarm employment was reported at 1,442,000 for the month of February (not seasonally adjusted), 30,000 (- 2.0%) lower than February 2009.

Iowa's 12-month average employment is presented in a graph below. The 12-month average peaked in October 2008 at 1,526,400, 47,700 jobs above January 2001 (12-month peak prior to the last recession). The current 12-month average reading is now 1,472,800 resulting in a decline in the average annual Iowa employment of 53,600 since the October 2008 peak. During the previous recession, the 12-month average declined 38,800 jobs, peak to trough. The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. nonfarm employment has been expanding since January 2008, as the rate of economic decline nationally has exceeded the rate of decline in Iowa.



Consumer prices were unchanged in February (not seasonally adjusted). The Consumer Price Index (CPI-U) through February 2010 was 216.7 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The annual rate now stands at 2.1%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% for the month of February and stands at 1.3%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for fifteen consecutive months. For the two components excluded from the core rate, energy prices are up 14.4% year-over-year while food prices are down 0.1%. The food price index has been negative for six consecutive months while energy inflation has been significantly positive for the past four months.

Information related to State General Fund receipts is available on the Fiscal Services Division's website at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2009 vs. FY 2010 July 1 through March 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 09 Actual Compared to FY 10 REC Estimate		
	FY 2009	FY 2010	Year to Date % Change	March % Change	Actual FY 2009	Estimate FY 2010	Projected % Change
Personal Income Tax	\$ 2,366.8	\$ 2,294.7	-3.0%	7.1%	\$ 3,330.7	\$ 3,137.5	-5.8%
Sales/Use Tax	1,761.6	1,712.1	-2.8%	9.4%	2,327.4	2,240.0	-3.8%
Corporate Income Tax	276.1	248.2	-10.1%	24.7%	416.5	363.2	-12.8%
Inheritance Tax	57.2	51.8	-9.4%	-23.5%	75.4	68.2	-9.5%
Insurance Premium Tax	57.7	47.6	-17.5%	-10.0%	90.0	84.0	-6.7%
Cigarette Tax	163.1	151.0	-7.4%	11.5%	215.8	201.9	-6.4%
Tobacco Tax	17.2	18.9	9.9%	20.0%	23.0	24.7	7.4%
Beer Tax	11.0	10.8	-1.8%	0.0%	14.7	14.4	-2.0%
Franchise Tax	19.9	18.6	-6.5%	22.2%	33.7	30.1	-10.7%
Miscellaneous Tax	0.6	-0.9	N/A	N/A	2.4	1.3	-45.8%
 Total Special Taxes	 \$ 4,731.2	 \$ 4,552.8	 -3.8%	 8.6%	 \$ 6,529.6	 \$ 6,165.3	 -5.6%
Institutional Payments	11.7	11.5	-1.7%	50.0%	15.5	15.5	0.0%
Liquor Profits	58.6	61.3	4.6%	20.0%	85.5	85.5	0.0%
Interest	13.8	1.9	-86.2%	-66.7%	14.6	2.8	-80.8%
Fees	60.2	34.8	-42.2%	-50.0%	77.7	40.4	-48.0%
Judicial Revenue	67.3	75.1	11.6%	-25.3%	98.8	114.0	15.4%
Miscellaneous Receipts	27.5	25.5	-7.3%	-12.0%	39.8	38.0	-4.5%
Racing and Gaming Receipts	60.0	66.0	10.0%	0.0%	60.0	66.0	10.0%
 TOTAL GROSS RECEIPTS	 \$ 5,030.2	 \$ 4,828.9	 -4.0%	 6.9%	 \$ 6,921.5	 \$ 6,527.5	 -5.7%
Accrued Revenue-Net					17.2	-14.2	
Tax Refunds *	-555.5	-569.2	2.5%	-9.7%	-803.9	-901.0	12.1%
School Infrast. Refunds *	-251.5	-274.5	9.1%	-13.0%	-385.8	-363.8	-5.7%
 TOTAL NET RECEIPTS	 \$ 4,223.2	 \$ 3,985.2	 -5.6%	 16.8%	 \$ 5,749.0	 \$ 5,248.5	 -8.7%
* For FY 2009 and FY 2010 Year-to-Date columns, refunds are listed on a cash basis. For FY 2009 Actual and FY 2010 Estimate, refunds are listed on a fiscal year basis.							